

FISCAL NOTE

Bill #: SB0192

Title: Remove gift certificates from abandoned property

Primary Sponsor: Laible, R

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	(\$9,750)	(\$16,078)
Net Impact on General Fund Balance:	(\$9,750)	(\$16,078)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. This bill exempts gift certificates, gift cards, and stored value cards from Montana's unclaimed property statutes.
2. Current unclaimed property law requires issuers of stored value cards to remit 60% of the value of unredeemed stored value cards, allowing the issuers to keep 40% profit. The Montana Department of Revenue's Customer Service Division (CSD) estimates that a total of \$6,871 in revenue from abandon gift certificates, gift cards, and stored value cards was collected in FY 2003.
3. National statistics show the sales of gift cards are growing at a rate of 23.68% per year. Based on the national growth rate of gift cards, it is estimated that abandon property revenues will grow to \$13,000 in FY 2006, and \$16,078 in FY 2007.
4. This bill has no effective date listed, so the bill is effective October 1, 2005. In FY 2006, collections of abandon property would be impacted during the final three quarters of the year; FY 2007 would see a full year's impact.
5. It is estimated that this bill would reduce abandon property collection by \$9,750 (\$13,000 X 75%) in FY 2006, and \$16,078 in FY 2007.
6. DOR does not expect any additional administrative costs under the proposal.

Fiscal Note Request SB0192, As Introduced

(continued)

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	(\$9,750)	(\$16,078)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$9,750)	(\$16,078)

LONG-RANGE IMPACTS:

In February of 1995 Montana, along with other states, negotiated with Delaware to contest the forwarding of unclaimed property to the state of domicile if the last known address of the unclaimed property owner was unknown. In this negotiation Montana received \$100,000 each year for 10 years. A new negotiation between Delaware and other states is anticipated in the near future. Since the sales of stored value cards for 2004 was \$55 billion (12% of which is never claimed or redeemed) and stored value cards will be a large portion of the nation's total unclaimed property, exempting stored value cards would severely limit Montana's future negotiating ability and materially affect the amount of revenue Montana would receive from Delaware.

TECHNICAL NOTES:

1. Montana has adopted the 1995 Uniform Unclaimed Property Tax Act, and granting an exemption to gift certificates, gift cards, and stored value cards would place Montana in noncompliance with the act. Being in noncompliance with the 1995 Uniform Unclaimed Property Tax Act would cause difficulties in coordinating the collection of abandon property with other states.
2. By exempting gift certificates, gift cards, and stored value cards from abandon property statutes, equity issues may arise with other mediums such as traveler's checks that remain subject to the statutes.
3. Exempting stored value cards in Montana would not eliminate the requirement of remitting unclaimed values, or lessen accounting costs incurred by issuers of the stored value cards. SB192 would exempt businesses from reporting to the State of Montana, but businesses would still be required to pay unclaimed stored value cards to state of domicile of the holder and/or the state of the last transaction of the gift card.